



April 9, 2018

Mr. Keith C. Metzler, Executive Director
Victor Valley Economic Development Authority
14343 Civic Drive
Victorville, CA 92392

Dear Mr. Metzler:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Victor Valley Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 25, 2018. Finance has completed its review of the ROPS 18-19.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 20 – Joint Powers Authority Agreement (JPA Agreement), Miscellaneous, Pass-Through Distributions to Victorville; total outstanding obligation amount of \$13,999,789, is not allowed. Finance continues to deny this item. The Agency claims this item represents accumulated operational shortfalls due to the City of Victorville (Victorville) pursuant to the JPA Agreement. However, the JPA Agreement does not obligate the Agency to reimburse Victorville for this type of costs. Therefore, this item is not an enforceable obligation and the requested amount of \$13,999,789 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 21 – JPA Agreement, Infrastructure, Pass-Through Distributions to Victorville; total outstanding obligation amount of \$21,120,815, is not allowed. Finance continues to deny this item. The Agency claims this item represents accumulated capital improvement expenditures due to Victorville pursuant to the JPA Agreement. However, the Agreement does not obligate the Agency to reimburse Victorville for expenses Victorville incurred. In addition, the Agreement does not specify the terms of repayment for expenses incurred by Victorville. Therefore, this item is not an enforceable obligation and the requested amount of \$21,120,815 is ineligible for RPTTF funding.
- Item No. 22 – JPA Agreement; total outstanding obligation amount of \$673,067, is not allowed. Finance continues to deny this item. It is our understanding this item represents amounts due to the Agency from the City of Adelanto (Adelanto) for its proportional share of start-up costs pursuant to the JPA Agreement. According to the JPA Agreement, the Agency was to use a portion of its tax increment it received to offset its own start-up costs. However, Finance determines this item to be an internal accounting issue and should be resolved internally. Therefore, this item is not an enforceable obligation and the requested amount of \$673,067 is ineligible for RPTTF funding.

- Item No. 23 – Cooperative Agreement for Street Improvements; total outstanding obligation amount of \$1,555,298, is not allowed. Finance continues to deny this item. It is our understanding this agreement entered into on April 23, 2003, is between Victorville and Adelanto; the former Redevelopment Agency is not a party to the contract. Therefore, this line item is not an enforceable obligation and the requested amount of \$1,555,298 is ineligible for RPTTF funding.
- Item No. 30 – Apple Valley Continuing Disclosure Costs; total requested amount of \$10,000. It is our understanding this item relates to continuing disclosure services regarding Apple Valley bonds issued for the Victor Valley Economic Development Authority (VVEDA) project area. The Agency provided a contract with Rosenow Spevacek Group, Inc., in the amount of \$2,000 with respect to these services.

However, it is our understanding the remaining \$8,000 is allocated for the City of Apple Valley staff to prepare various documentation for submission to the fiscal agent for continuing disclosure services. Payments for these types of services are considered a general administrative cost and the \$8,000 has been reclassified to Administrative RPTTF.

On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$1,777,255 in RPTTF unexpended from the ROPS 15-16 period, \$150,775 in Reserve Balances, and \$114,043 in Other Funds, totaling \$2,042,073, available to fund enforceable obligations on the ROPS 18-19. These unexpended RPTTF funds are considered Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, Finance has reclassified the funding source for the following item in the amounts specified below:

- Item No. 18 – Joint Powers Authority Agreement - Southern California Logistics Airport Authority Bond Defaults in the requested amount of \$6,682,884 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$4,640,811 and the use of \$1,928,030 (\$1,777,255 + \$150,775) in Reserve Balance and \$114,043 in Other Funds funding, totaling \$6,682,884.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$33,367,284 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the San Bernardino County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:


<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 18-19 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Painter, Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Mr. Kofi Antobam, Director of Finance, Apple Valley, Treasurer of VVEDA
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 42,857,534	\$ 29,400,792	\$ 72,258,326
Administrative RPTTF Requested	250,000	250,000	500,000
Total RPTTF Requested	43,107,534	29,650,792	72,758,326
RPTTF Requested	42,857,534	29,400,792	72,258,326
<u>Adjustments</u>			
Item No. 18	(2,042,073)	0	(2,042,073)
Item No. 20	(6,999,895)	(6,999,894)	(13,999,789)
Item No. 21	(10,560,408)	(10,560,407)	(21,120,815)
Item No. 22	(336,534)	(336,533)	(673,067)
Item No. 23	(777,649)	(777,649)	(1,555,298)
Item No. 30	0	(8,000)	(8,000)
	(20,716,559)	(18,682,483)	(39,399,042)
RPTTF Authorized	22,140,975	10,718,309	32,859,284
Administrative RPTTF Requested	250,000	250,000	500,000
<u>Adjustment</u>			
Item No. 30	0	8,000	8,000
Administrative RPTTF Authorized	250,000	258,000	508,000
Total RPTTF Approved for Distribution	\$ 22,390,975	\$ 10,976,309	\$ 33,367,284